

Message Text

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PAGE 01 STATE 112456
ORIGIN EUR-12

INFO OCT-01 ISO-00 SS-15 FRB-03 H-01 TRSE-00 NSC-05
EB-08 OMB-01 ICA-11 CIAE-00 INR-10 NSAE-00 /067 R

DRAFTED BY EUR/NE:DCGOODMAN:LP
APPROVED BY EUR/NE:RLFUNSETH
EUR:RDVINE
E:SBLACK

-----008845 031654Z /64

R 031611Z MAY 78
FM SECSTATE WASHDC
TO AMEMBASSY HELSINKI

C O N F I D E N T I A L STATE 112456

E.O. 11652: GDS

TAGS:EFIN, OVIP, FI

SUBJECT: VISIT OF BANK OF FINLAND GOVERNOR MAUNO KOIVISTO,
APRIL 25-26

REF.: HELSINKI 763; STATE 90947

1. GOVERNOR OF BANK OF FINLAND KOIVISTO AND KARI NARS OF
BANK'S INTERNATIONAL DEPARTMENT HAD A BUSY AND PRODUCTIVE
SCHEDULE DURING BRIEF STOPOVER IN WASHINGTON APRIL 25-26,
ENROUTE TO IMF MEETINGS IN MEXICO. FOLLOWING AN ADDRESS TO
WASHINGTON INSTITUTE OF FOREIGN AFFAIRS APRIL 25, KOIVISTO
WAS GUEST OF HONOR AT FINNISH EMBASSY DINNER ATTENDED BY,
AMONG OTHERS, FRB CHAIRMAN MILLER, SENATORS BUMPERS AND
MAGNUSON, CONGRESSMAN RUPPE, AND REPS FROM STATE (DAS
BARRACLOUGH, HORMATS AND VINE), TREASURY, AND NSC. SCHE-
DULE APRIL 26 INCLUDED BREAKFAST WITH FRB GOVERNOR WALLICH,
A 45 MINUTE CALL ON TREASURY UNDER SECRETARY SOLOMON
(SCHEDULED ORIGINALLY FOR ONLY FIFTEEN MINUTES), A LUNCHEON
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HOSTED BY GEORGETOWN'S CENTER FOR STRATEGIC AND INTER-
NATIONAL STUDIES, AND CALLS ON DAS VINE AND UNDER SECRETARY
COOPER. FINNISH AMBASSADOR ILONIEMI HAS EXPRESSED HIS
GREAT SATISFACTION WITH THE VISIT.

2. TO OUR KNOWLEDGE, NO PURELY BILATERAL ISSUES WERE

RAISED BY KOIVISTO. DISCUSSION WITH VINE CENTERED ON CURRENT FINNISH ECONOMIC DIFFICULTIES, WITH KOIVISTO VERY PESSIMISTIC. HE SAID THE SYSTEM IN A SENSE WAS NOT WORKING AND THAT LOSS OF POWER BY EMPLOYERS FEDERATION WAS CAUSE OF MANY OF THE PROBLEMS, WITH TRADE UNIONS ABLE TO GET PRETTY MUCH WHAT THEY WANTED. ABSENCE OF PROFITABILITY WAS CAUSING LACK OF CAPITAL FORMATION. ONE BRIGHT SPOT WAS DECLINING INFLATION WHICH WAS DOWN TO ANNUAL RATE OF 5-6 PERCENT FOR LATEST SIX MONTHS. BUT FINLAND'S DEPENDENCE ON OTHERS, PARTICULARLY SWEDEN, WAS PARAMOUNT, AND THERE WAS LITTLE CAUSE FOR OPTIMISM FOR THE FORESEEABLE FUTURE AT LEAST. KOIVISTO ALSO STRESSED WITH SOLOMON THE NEGATIVE ASPECTS OF FINNISH ECONOMIC PICTURE, NOTING THAT 4-5 PERCENT REAL GROWTH WAS NEEDED FOR FULL EMPLOYMENT AND THAT FINLAND WAS NOW IN ITS FOURTH YEAR OF ZERO OR NEGATIVE GROWTH.

3. IN DISCUSSION WITH COOPER, KOIVISTO EMPHASIZED IMPORTANCE TO FINLAND OF A STABLE DOLLAR, PRIMARILY BECAUSE OF NORTH AMERICAN COMPETITION ON WOOD EXPORTS, AND HE EXPRESSED HIS PLEASURE AT RECENT MONETARY DEVELOPMENTS. HE SAID THE LEVEL OF FINNISH IMPORTS WAS NOT A REAL PROBLEM NOW AND THAT A CURRENT ACCOUNT SURPLUS WAS EXPECTED IN 1978. NEVERTHELESS, GOV FOREIGN BORROWING WOULD BE QUITE HIGH THIS YEAR WITH ABOUT TWO-THIRDS OF IT USED TO HELP FINANCE THE BUDGETARY DEFICIT. THE BORROWING WOULD
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RESULT IN A SIZEABLE INCREASE IN FINLAND'S RESERVES.

4. AT GEORGETOWN LUNCHEON KOIVISTO NOTED THAT FINNISH TRADE WITH USSR WAS ABOUT AS HIGH AS IT COULD GO BECAUSE OF THE LIMITED NUMBER OF PRODUCTS--ALMOST EXCLUSIVELY RAW MATERIALS--THAT FINLAND WISHED TO PURCHASE FROM THE SOVIETS.

5. THROUGHOUT HIS VISIT KOIVISTO CONVEYED IMAGE OF CAUTIOUS, CONSERVATIVE PUBLIC OFFICIAL WITH DECIDEDLY WESTERN-ORIENTED PHILOSOPHY. HE AVOIDED CONTROVERSIAL QUESTIONS WHILE EMPHASIZING FINLAND'S SERIOUS ECONOMIC PROBLEMS. VANCE

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: VISITS, BANKS
Control Number: n/a
Copy: SINGLE
Draft Date: 03 may 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE112456
Document Source: CORE
Document Unique ID: 00
Drafter: DCGOODMAN:LP
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780188-1049
Format: TEL
From: STATE
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780596/aaaadekr.tel
Line Count: 106
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 822823a5-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: ONLY
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: ONLY
Reference: 78 HELSINKI 763, 78 STATE 90947
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 16 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2802242
Secure: OPEN
Status: NATIVE
Subject: VISIT OF BANK OF FINLAND GOVERNOR MAUNO KOIVISTO, APRIL 25-26
TAGS: EFIN, OVIP, FI
To: HELSINKI
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/822823a5-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014